

The Institute of Chartered Accountants of Bangladesh

Sample Question Paper Certificate Level-Accounting

Time allowed: 90 minutes

Full Marks: 100

Section A: Scenario based questions-

As at 30 June 2019 and 30 June 2020 ABC Limited had the following summarized statement of financial position:

Particulars	30 June 2020 Taka	30 June 2019 Taka
Assets		
Non-current assets		
Property, plant and equipment	2,543,000	2,401,000
Intangibles	550,000	584,000
Investments	406,000	-
	3,499,000	2,985,000
Current assets		
Inventories	685,000	598,000
Trade and other receivables	480,000	465,000
Prepayments	96,000	126,000
Cash and cash equivalents	426,000	200,000
	1,687,000	1,389,000
Total assets:	5,186,000	4,374,000
Equity and Liabilities		
Equity		
Share capital	1,100,000	1,000,000
Share premium	342,000	200,000
Retained earnings	1,785,000	1,311,000
	3,227,000	2,511,000
Non-current liabilities		
Borrowings	500,000	1,000,000
Redeemable preference shares	200,000	-
	700,000	1,000,000
Current liabilities		
Trade payables	749,000	427,000
Accruals	108,000	131,000
Income tax payables	282,000	165,000
Provisions	120,000	140,000
	1,259,000	863,000
Total Equity and Liabilities	5,186,000	4,374,000

ABC Limited's statement of profit or loss for the year ended 30 June 2020 was as follows:

Particulars	2019-2020 Taka
Revenue	5,762,000
Less: Cost of sales	(4,630,000)
Gross Profit	1,132,000

Less: Distribution cost	(236,000)
Less: Administrative expenses	(127,000)
Profit from operation	769,000
Add: Investment income	55,000
Less: Finance cost	(68,000)
Profit before tax	756,000
Less: Income tax expenses	(232,000)
Net profit after tax for the year	524,000

The following additional information is relevant:

	30 June 2020	30 June 2019
Property plant and equipment		
Cost	7,464,000	6,375,000
Less: Accumulated depreciation	(4,921,000)	(3,974,000)
	2,543,000	2,401,000
Intangible assets		
Cost	883,000	938,000
Less: Accumulated amortization	(333,000)	(354,000)
	550,000	584,000

- During the year, plant with an original cost of Taka 479,000 and a carrying amount at the date of disposal of Taka 326,000 was sold for Taka 424,000 which was received in cash.
- ABC Limited received Taka 20,000 during the year from the sale of highly liquid investments, which were classified as cash and cash equivalents.
- During the year, ABC Limited made a 1 for 20 bonus issue of its ordinary shares. The subsequent issue of shares was made at a premium.
- Included in trade and other receivables at the year-end was Taka 25,000 in relation to investment income. The corresponding figure for 2019 was Taka 15,000.
- Intangible assets with accumulated amortization at the date of disposal of Taka 40,000 were sold for Taka 12,000. There were no acquisitions of intangible assets during the year.
- Redeemable preference shares in the amount of Taka 200,000 were issued during the year.

Requirements:

Prepare a statement of cash flows for ABC Limited, for the year ended 30 June 2020 in accordance with IAS 7.

Statement of Cash Flows
For the year ended 30 June 2020

	2019-2020 Taka
Cash flows from operating activities	
Profit before tax	
Investment income	
Finance costs	
Depreciation	
Amortisation of intangible assets	
Gain/loss on sale of property, plant and equipment	
Gain/loss on sale of intangible assets	
Increase/decrease in inventories	
Increase/decrease in trade and other receivables	
Increase/decrease in prepayments	
Increase/decrease in trade payables	
Increase/decrease in accruals	
Increase/decrease in provisions	
Cash generated from operations	
Interest paid	
Tax paid	
<i>Net cash flows from/used in operating activities</i>	
Cash flows from investing activities	
Purchase of property, plant and equipment	
Purchase of intangible assets	
Purchase of investments	
Proceeds from sale of property, plant and equipment	
Proceeds from sale of intangibles	
Investment income	
<i>Net cash flows from/used in investing activities</i>	
Cash flows from financing activities	

Proceeds from issue of share capital

Movements in borrowings

Dividends paid

Net cash flows from/used in financing activities

Net increase/decrease in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year

Section B: Short Questions

1. The business entity concept helps in-
 - a) Determining the value of fixed assets
 - b) Determining the profit of the organization
 - ☒ c) Calculating net worth of the organization
 - d) None of the above

2. ABC Ltd. Purchased a machine on 01 January 2018 and whimsically selected reducing balance method for calculating depreciation. On 01 January 2020, the company changed the depreciation method to straight line to comply with the requirement of IAS 16. This change of method would be considered as:
 - ☒ a) Changes in accounting policy
 - b) Rectification of prior year's error
 - c) Changes in accounting estimation
 - d) All of the above

3. A business can make a profit and yet have a decreased cash in hand and cash at bank. Which of the following might cause this to happen?
 - a) The sale of non-current assets at a loss
 - b) The charging of depreciation in the Statement of profit or Loss and other comprehensive income
 - c) The lengthening of the period of credit given to customers
 - d) The shortening of the period of credit taken from suppliers

4. Which of the following are regarded as the fundamental concept?
 - a) The going concern concept
 - b) The business entity concept
 - c) The prudence concept
 - d) Correction concept

5. In performing a bank reconciliation exercise, which two of the following require an entry in the cash at bank account?
 - a) Cheque paid in, subsequently dishonored on the bank transaction report
 - b) Error by bank
 - c) Bank charges
 - d) Lodgements credited after date
 - e) Outstanding cheques not yet presented

6. An error of principle would occur if plant and machinery purchased:
- was omitted from the accounting records
 - was debited to the purchases account
 - was debited to the equipment account
 - was debited to the correct account but with the wrong amount
7. Which of the following is time span into which the total life of a business is divided for the purpose of preparing financial statements?
- Fiscal year
 - Calendar year
 - Accounting period
 - Accrual period
8. Mr. Y is a VAT registered trader whose sales and purchases carry VAT at the standard rate of 15%. He sold goods to a customer on credit for BDT 4,700 inclusive of VAT. The double entry to record this transaction is:
- Debit Sales BDT 4,700, Debit VAT BDT 705, Credit Receivables BDT 5,405
 - Debit Sales BDT 4,000, Debit VAT BDT 600, Credit Receivables BDT 4,600
 - Debit Receivables BDT 5,405, Credit Sales BDT 4,700, Credit VAT BDT 705
 - Debit Receivables BDT 4,700, Credit Sales BDT 4,087, Credit VAT BDT 613
9. Which THREE of the following users of financial statements are likely to be interested in the financial statements of a small private company?
- Stock market analysts
 - Company employees
 - The company's bank
 - Institutional shareholders
 - Suppliers
10. "Mr. Martin runs a sole trader business selling computers. On 12th January 2021, he employed his daughter as an administrator for the business and took a computer from the store room for her to use in the office.
What would be the double entry for this transaction?
- Dr. Drawings Cr . Cost of sales
 - Dr. Non-current assets Cr. Inventory
 - Dr. Cost of sales Cr. Drawings
 - Dr. Cost of sales Cr. Non-current assets
11. ABC Limited has prepared a draft statement of profit or loss for the year to 30 June 2020 which shows a gross profit of Taka 99,500. ABC Limited has now discovered that at both the beginning and at the end of the period, one line of inventory, the Redex, has been included at selling price: Taka 1,240 at 30 June 2020 and Taka 3,720 at 1 July 2019. The Redex is always sold at a mark-up of 25% by ABC. After correcting this error, ABC Limited's gross profit for the year ended 30 June 2020 is:
- Taka 99,996
 - Taka 99,004
 - Taka 98,880
 - Taka 100,120
12. The following bank reconciliation has been partially completed:

	BDT
Balance per bank statement (overdrawn)	73,680
Uncredited lodgements	102,480
Unpresented cheques	87,240

What should the cash book balance be?

- a) BDT 88,920 credit
- b) BDT 88,920 debit
- c) BDT 58,440 debit
- d) BDT 58,440 credit

13. The cash book shows a bank balance of BDT 5,675 overdrawn at 31 August 20X5. It is subsequently discovered that a standing order payment for BDT 125 has been entered twice, and that a dishonored cheque for BDT 450 has been debited in the cash book instead of credited.

The correct bank balance should be:

- a) BDT 5,100 overdrawn
- b) BDT 6,000 overdrawn
- c) BDT 6,250 overdrawn
- d) BDT 6,450 overdrawn

14. Which of the following is not a factor that is considered for recognition of a fixed asset?

- a) Ownership
- b) Future economic benefits
- c) Control
- d) None of the above

15. XYZ Limited sells three products- Basics, Super and Luxury. The following information was available at the year end.

	Basic/Per Unit Tk.	Super/Per Unit Tk.	Luxury/Per Unit Tk.
Original cost	6	9	18
Estimated selling price	9	12	15
Selling and distribution costs to be incurred	1	4	5
Units of Inventory	Units 200	Units 250	Units 150

What is the value of inventory at the year end?

- a) Taka 3,600
- b) Taka 4,700
- c) Taka 5,100
- d) Taka 6,150

16. Indicate whether the following statements are true or false.

- a. Prudence concept of accounting suggests applying conservatism at time of making accounting estimates.

True	
False	

- b. Analysis of transaction should be made before giving journal entry for that particular transaction.

True	
False	

17. Indicate whether the following statements are true or false

- a. When the prices of raw material inventory fluctuate frequently, FIFO method should be used for valuing inventories.

True	
False	

b. A business organization might need to use different methods of depreciation for calculating depreciation of a particular class of asset.

True	
False	

18. Indicate whether the following statements are true or false

a. A company can give cash dividend from share premium account.

True	
False	

b. TM Limited has reduced its allowance for receivables by Taka 600.
This will increase gross profit by Taka 600.

True	
False	

This will increase net profit by Taka 600.

True	
False	

19. Put the missing word in the blank space

a) All fixed assets, except.....are subject to depreciation.

b) Customers normally use accounting information before making buy decisions.

20. Put the missing word in the blank space

a) At the time of calculating Net Realizable Value (NRV) of an inventory, we use
Selling price.

b) is the interest of the owner in a business.

21. Put the right number in assigned space

ABC & Co. has installed a new machine at its factory. It has incurred following costs:

- a) Cost of the machine Tk. 250,000.
- b) Initial delivery and handling cost Tk. 20,000.
- c) Training cost Tk. 50,000.
- d) Packaging cost Tk. 10,000.
- e) VAT paid Tk. 15,000.
- f) Cost of site preparation Tk. 60,000.

Find out the costs to be capitalized as per IAS-16?

22. Put the right number in assigned space

Mr. Anam is the owner of a stationery business. From the following information relating to his business calculate the net profit.

COGS	182,000
Salaries paid	17,000
Rent paid	17,500
Cash sales	2,20,000
Credit sales	3,00,000
Outstanding Expenses: Salaries	5,000
Rent	2,500

23. Put the right number in assigned space

X Ltd. was established as an automobile manufacturing company on 1st January 2019. Primarily it issued 1000 ordinary shares of Tk. 170 each. The nominal value of each share is Tk. 100. The company also issued 1000 redeemable preference shares of Tk. 10 each. The company declared and paid an interim dividend @ 15% for both ordinary share and preference share on 01 July 2019. The company also declared a final dividend @ 10% for ordinary share on 01 March 2020 for the year 2019. Calculate the amount of interim dividend.

24. Put the right number in assigned space

Mr. Akhas, a sole-proprietor has the following assets and liabilities:

Land Tk. 55,000, Cash at Bank Tk. 6,500, Inventory Tk. 12,500, Creditors Tk. 5,000 and loan to Mr. Akash Tk. 10,000.

What is the amount of capital?

-The end-